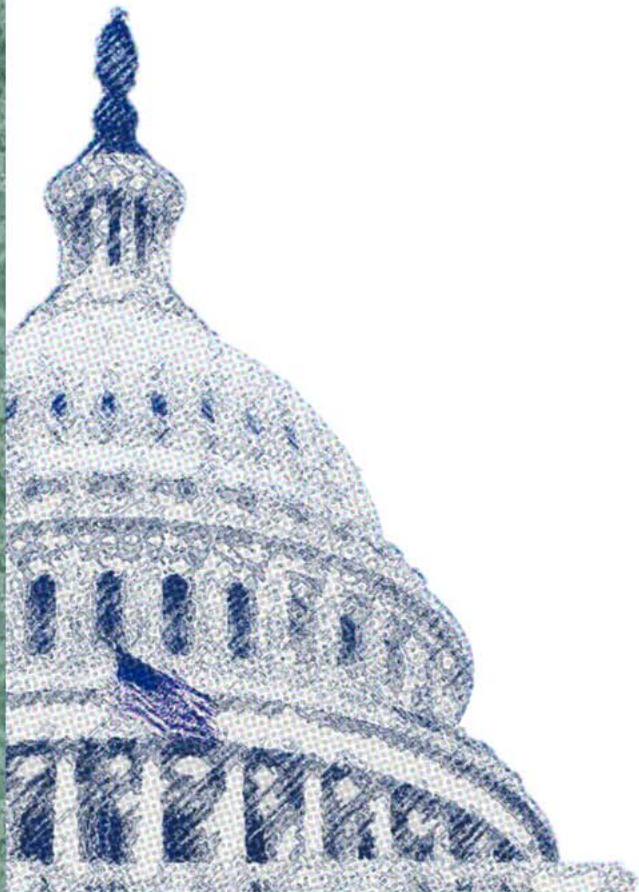


110th Congress
1st Session



Senate Budget Committee Columbus Day Recess Packet



October 5, 2007
Prepared by the
U. S. Senate Budget Committee
Republican Staff
<http://budget.senate.gov/republican>

JUDD GREGG
NEW HAMPSHIRE

COMMITTEES:

BUDGET, *Ranking Member*

APPROPRIATIONS

HEALTH, EDUCATION, LABOR
AND PENSIONS

United States Senate

WASHINGTON, DC 20510-6100

(202) 224-3324

OFFICES:

125 NORTH MAIN STREET
CONCORD, NH 03301
(603) 225-7115

41 HOOKSETT ROAD, UNIT 2
MANCHESTER, NH 03104
(603) 622-7979

60 PLEASANT STREET
BERLIN, NH 03570
(603) 752-2604

16 PEARSE BOULEVARD
PORTSMOUTH, NH 03801
(603) 431-2171

October 5, 2007

Dear Republican Colleague:

As we wrap up our legislative business to return home for the Columbus Day recess, I would like to outline the positive state of the U.S. economy, which has created nearly 8.5 million new jobs over the past four years, and generated tax revenues that have far outpaced projections.

This packet includes facts to counter the majority's one-sided arguments about the recent increase in the debt limit. It is certainly worth noting that while blaming the Republican pro-growth tax cuts for the debt, Democrats themselves attempted to pass alternate tax cut plans in 2001 and 2003. These Democratic tax cuts would not have encouraged individuals to work, save and invest more, but would have had virtually the same impact on the debt.

In addition, despite their campaign promises about fiscal discipline, Democrats this year passed a tax-and-spend budget that adds trillions to the gross debt, and have allowed \$108 billion in spending to escape scrutiny, via real Pay-Go violations or gimmicks used to get around the Pay-Go offset requirements.

Also included is information about a bipartisan bill offered by Chairman Conrad and I to address the looming fiscal crisis posed by growing entitlement programs. *The Bipartisan Task Force for Responsible Fiscal Action Act* will put in place a process by which bipartisan recommendations to resolve the nation's long-term fiscal imbalances are swiftly vetted by Congress and guaranteed a final vote. We cannot continue to delay consideration of this important issue – the economic well-being of future generations depends on our actions today.

Please contact my staff at 202-224-6011 if you have any questions or need additional information.

Sincerely,



Judd Gregg



Pro-Growth Policies Continue to Keep Economy Strong

Following September 11th, the bursting of the Internet stock market bubble, and corporate scandals, the economy was teetering into recession. A fair and pro-growth tax system, implemented by the President and a Republican Congress in 2001 and 2003, revived the economy. Since then, we have enjoyed nearly six uninterrupted years of economic expansion, the creation of nearly 8.5 million new jobs, and surging tax revenues that have far outpaced projections.

➤ ECONOMIC GROWTH IS ROBUST

- ✓ U.S. economy is experiencing nearly SIX uninterrupted years of growth.
- ✓ Since the tax cuts of 2003, the annual rate of economic growth has increased a full percentage point, from 2.1 percent to 3.1 percent
- ✓ Since the tax cuts, the rate of investment has expanded by an average of 6.0 percent over the past 16 quarters.
- ✓ Dividend income has nearly doubled since August 2003.

➤ JOB CREATION REMAINS STRONG

- ✓ Created nearly 8.5 million jobs during the past 49 months.
- ✓ Unemployment rate is 4.7 percent - below average of last three decades.
- ✓ Unemployment rate lower than last recovery.

➤ WAGES & BENEFITS HAVE INCREASED

- ✓ Real wages and benefits increased more under President Bush (8.5 percent) than under Clinton (7.2 percent).
- ✓ Low-income workers are doing better – according to CBO, low-income households with children experienced real income gains of 45 percent between 2001 and 2003 (the last year data was available). Within that group, approximately 60 percent of the families experienced gains totaling more than \$1,500.

➤ FAIR TAX SYSTEM GENERATES SURGING REVENUES

- ✓ Robust revenues exceed projection by nearly \$300 billion - \$300 billion above and beyond growing revenue projection.
- ✓ Capital gains tax collections are 68 percent higher than originally expected.
- ✓ Revenues are already above historic average (18.2 percent) – even with extension of existing tax policies, revenues projected to stay above historic average.
- ✓ High-income taxpayers bear greater tax burden now compared to under Clinton.
- ✓ Under Republican tax policy, low-income individuals owe no income tax and currently receive greater tax benefits (money via credits) than under Clinton.



BUDGET COMMITTEE



Judd Gregg, Ranking Member
<http://budget.senate.gov/republican>

Contact: Betsy Holahan (202)224-6011

Democrats Try to Use Debt Limit Increase as Political Football

On September 27, the Senate passed legislation to increase the debt limit by \$850 billion, to \$9.815 trillion. Democrats have attempted to blame the debt increase on President Bush and the Republican pro-growth tax relief enacted in 2001 and 2003, but have only told part of the story...

- ✓ Regardless of which political party's tax policies were in place, the federal government still would have responded to the terrorist attacks of September 11th and become involved in the war on terrorism. This spending added to the debt and was entirely bipartisan.
- ✓ Regardless of which political party's tax policies were in place, the federal government still would have faced the devastation of Gulf Coast Hurricanes Katrina and Rita in 2005 and enacted more than \$129 billion in hurricane-related relief. This spending added to the debt and was entirely bipartisan.
- ✓ Despite having the authority to draft any type of budget resolution they wished, Democrats this year offered and passed a bloated, tax-and-spend budget that will increase the gross debt by \$2.5 trillion over five years.
- ✓ Despite their campaign rhetoric about enforcing fiscal discipline, Democrats so far this year have dodged their own budget rules to the tune of nearly \$108 billion. This spending has escaped scrutiny via Pay-Go violations or gimmicks used to get around Pay-Go offset requirements.
- ✓ Finally, it is hypocritical that Democrats blame Republican pro-growth tax cuts for the increase in debt – cuts that triggered an economic recovery after Sept. 11th and have led to millions of new jobs – especially in lieu of the fact that Democrats supported tax policies in 2001 and 2003 that would have had virtually the same impact on the debt.



Democratic Pay-Go: Like a Slice of Swiss Cheese, This Policy is Full of Holes

“The other side of the aisle marches behind this banner in budget after budget, claiming that Pay-Go gives us fiscal discipline. Well, they have either waived or gotten around Pay-Go on ten different occasions, representing billions of dollars to the American taxpayer. Here's more than \$100 billion of spending in just eight months.”

- Senator Judd Gregg

- **The Democrats' Pay-Go Policy is a Fraud** - Instead of paying for new spending, Democrats have violated or gimmicked their own rules, or declared spending an emergency, all in order to avoid finding offsets for their massive expansion of government.
- **More Than \$100 Billion in New Spending Has Not Been Offset** - Instead of reining in federal spending with Pay-Go, Democrats have allowed more than \$100 billion in spending to escape scrutiny, via real Pay-Go violations or gimmicks used to get around the Pay-Go offset requirements.
- **Democrats Will Stick To Pay-Go Only to Raise Taxes** - Despite ignoring Pay-Go when it comes to spending they like, Democrats are sure to use Pay-Go as a means to raise taxes when the existing pro-growth tax policies are set to expire.
- **American Taxpayers Will Foot the Bill** – American families and businesses will ultimately pay for the spending being implemented. Without offsets, the deficit will increase, leaving future generations stuck with the bill.

Used Gimmicks to Avoid Pay-Go

SCHIP Reauthorization	\$41.000 billion
Student loan interest rates (in HELP reconciliation)	\$17.000 billion
New Mandatory Pell Grant spending (in HELP reconciliation)	\$09.000 billion
County Payments/PILT (in 2007 supplemental)	\$04.100 billion
Mandatory spending for MILC (in 2007 supplemental)	\$02.400 billion

Real Pay-Go Violations

Immigration Reform	\$30.000 billion
Energy Act of 2007	\$04.200 billion
Prescription Drug User Fee Act Amendments	\$00.171 billion
Minimum Wage Increase (in 2007 supplemental)	\$00.045 billion
Water Resources Development Act	\$00.004 billion

TOTAL	\$107.9 billion
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The Bipartisan Task Force for Responsible Fiscal Action Act: **A Bipartisan Approach to America's Greatest Fiscal Challenge**

- ❖ *Promotes Fiscal Responsibility*
- ❖ *Bipartisan, Straightforward, Solution-Driven*
- ❖ *Critical to Safeguarding the Nation's Economic Health*

➤ **What is the Purpose of the Bipartisan Task Force Act?**

- The Bipartisan Task Force for Responsible Fiscal Action Act of 2007 requires lawmakers to swiftly address the nation's long-term fiscal challenges, and to ensure the nation's future economic security and prosperity.
- The Act establishes a bipartisan task force of Congressional Members and Administration officials who will make bipartisan recommendations on how to immediately and substantially improve the government's long-term fiscal imbalances.
- All options will be considered by the task force, and the resulting legislative recommendations will receive expedited consideration by Congress and a final vote.

➤ **Why is the Bipartisan Fiscal Task Force Needed?**

- Long-term projections show an unsustainable imbalance between government spending and revenues that simply cannot be corrected by economic growth alone.
- Next year, the first of approximately 70 million Baby Boomers will begin to retire, which will explode the cost of federal health and retirement programs.
- Health care entitlements and Social Security alone will absorb an increasingly larger portion of the federal budget – 20 percent of GDP by 2034, equal to the entire federal government today. There is currently no plan in place on how to handle this looming crisis.

➤ **Who Will Serve on the Bipartisan Fiscal Task Force?**

- The Task Force is made up of 16 voting members, eight Republicans and eight Democrats. Four task force members each will be chosen by the Senate Majority Leader and Speaker of the House; three each by the Senate Minority Leader and the House Minority Leader; and two by the President (one of whom must be the Secretary of the Treasury). All task force members chosen by Congressional leadership must be current Members of Congress.
- The Secretary of the Treasury will serve as Task Force chairperson.

➤ **How Does the Bipartisan Fiscal Task Force Work?**

- The Task Force must review the current and long-term financial condition of the federal government, identify factors that impact its long-term fiscal balance, analyze potential courses of action, and provide recommendations to improve the government's long-term fiscal balance. A fiscal imbalance is defined as the gap between projected federal revenues and federal expenditures.

- The Task Force must address all aspects of the federal budget, including spending and revenues. In gathering information, the Task Force may hold hearings and draw upon data and resources from both executive and legislative branches of the federal government.
- A detailed report of the Task Force's findings, conclusions and recommendations (including legislative text required to implement these recommendations) must be submitted to Congress and the President on December 9, 2008.
- Three-quarters of the Task Force, or 12 members, must agree to the recommendations before the Task Force can submit its report to Congress and the President.

➤ **What Happens to the Bipartisan Fiscal Task Force's Recommendations?**

- Once submitted to Congress, the Task Force's recommendations will be introduced as legislation by the chamber's Majority or Minority Leader, or their designee, within 10 calendar days of the start of the 111th Congress, or on the first session day thereafter.
- The legislation is referred jointly to all committees of jurisdiction and the Budget Committees. These committees must consider and report the legislation, without amendment, within 10 calendar days after the date of introduction, or it will be automatically discharged from the committee. The legislation can be reported from the committee with or without recommendation.
- The reported legislation is considered under an expedited procedure, which ensures it must be considered by the full House and Senate within 5 congressional session days of being reported from committee. Floor debate in both chambers is limited to 100 hours each, and the reported legislation is not amendable. Final passage requires 3/5 of the Senate (60 votes) and 3/5 of the Members of the House (261 votes).

➤ **How Does the Task Force Ensure a Bipartisan Outcome and Why is This Important?**

- **Bipartisan Designation Process**
The Task Force is made up of 16 voting members. Both political parties are evenly represented, with eight Republicans and eight Democrats.
- **Bipartisan Recommendations**
The bill requires that three-quarters of the Task Force's members support the recommendations made in its report. This means at least 12 members of the Task Force must support the proposals, more than the number of either political party represented.
- **Bipartisan Senate and House Consideration**
The bill requires 3/5 of the Senate (60 votes) and 3/5 of the House (261 votes) for final passage of the bill, which is intended to ensure strong bipartisan support.
- **Bipartisanship is Critical to Solving Fiscal Challenges**
This is not simply a Democratic or Republican problem; it impacts all Americans. But change cannot be accomplished without both political parties being invested in the outcome, and helping their constituents to understand the problem and the impact of the solutions.

Bipartisan Task Force for Responsible Fiscal Action

- To address unsustainable long-term imbalance between spending and revenues
- Everything on the table
- 16 members – 8 Democrats, 8 Republicans (two from Administration, including Treasury Secretary)
- All task force members must be currently serving in Congress or Administration
- Report to be submitted on December 9, 2008
- 12 of 16 members must agree to report
- Fast-track consideration in Senate and House
- Final passage requires supermajority – 3/5 vote in Senate, 3/5 vote in House

THE HILL



OP-EDS

A bipartisan approach to America's greatest fiscal challenge

By Sens. Kent Conrad (D-N.D.) and Judd Gregg (R-N.H.)

September 26, 2007

As senators from different political parties, it is true that we do not always agree on fiscal policy. But we do agree on this: Our nation will soon confront one of its greatest fiscal challenges, and it is our responsibility as elected leaders to work together today on a solution that will best serve American citizens and the long-term health of the economy.

Next year, a significant milestone will occur. The leading edge of the 70 million-strong baby boom generation will begin retiring, which will cause the cost of federal health and retirement programs to explode. Long-term projections show an unsustainable imbalance between government spending and revenues that simply cannot be corrected by economic growth alone.

Clearly, the American economy is confronting a very serious problem. Healthcare entitlements and Social Security alone will absorb an increasingly larger portion of the federal budget — 20 percent of GDP by 2034, equal to the entire federal government today — and there is not a contingency plan in place. As part of tackling our nation's long-term fiscal imbalance, Congress and the president must address the structure of programs serving the retired population in order to prevent the collapse of the federal benefit system under its own weight.

We believe the solution lies in a balanced, bipartisan approach. Therefore, we have come together to offer the Bipartisan Task Force for Responsible Fiscal Action Act. This task force, made up equally of Democrats and Republicans, will be charged with authoring bipartisan legislation to immediately begin addressing the nation's fiscal challenges. Everything will be on the table. This will not be another commission mulling over ideas that will be filed away, and it won't be under the control of one political party or the other. It is designed to produce legislative solutions that Congress must vote on, not just bury in political debate.

Here's how it will work: The bill establishes a 16-member task force that is comprised of four congressional members each chosen by the Senate majority leader and House Speaker; three congressional members each chosen by the Senate and House Minority Leaders; and two administration members, one chosen by the president and the other being the Secretary of the Treasury, who will serve as task force chairperson.

The task force will review all aspects of the current and long-term financial condition of the federal government. It will identify factors that jeopardize the government's long-term fiscal balance, or that create a gap between expected revenues and spending. It will analyze potential solutions, and make legislative recommendations to Congress and the president on how to substantially improve the long-term fiscal balance in a report due Dec. 9, 2008. To ensure the

bipartisanship of the recommendations, at least three-quarters of the task force, or 12 members, must agree to them before the report can be submitted.

Once Congress receives the recommendations as a legislative proposal, it must be fast-tracked to final consideration in both the Senate and House. Final passage of the bill requires a supermajority in each chamber — three-fifths of the Senate and three-fifths of the House.

Sound easy? Unfortunately, it won't be. The choices are difficult now, but the longer we wait, the harder they will become. The time for action is now. But change cannot be accomplished without both political parties being invested in the outcome, and helping their constituents to understand the problem and the impact of the solutions.

This task force — which is bipartisan in composition and requires supermajority support for its recommendations and supermajority support from Congress for any final legislation — is the right place to start. As elected officials, and as members of the baby boom generation ourselves, we believe the responsibility for action rests with the president and Congress today, and we hope that our colleagues will join us to ensure economic security for generations to come.

Conrad and Gregg are the chairman and ranking member, respectively, of the Senate Budget Committee.

<http://thehill.com/op-eds/a-bipartisan-approach-to-americas-greatest-fiscal-challenge-2007-09-26.html>